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THE Wheat SITUATION

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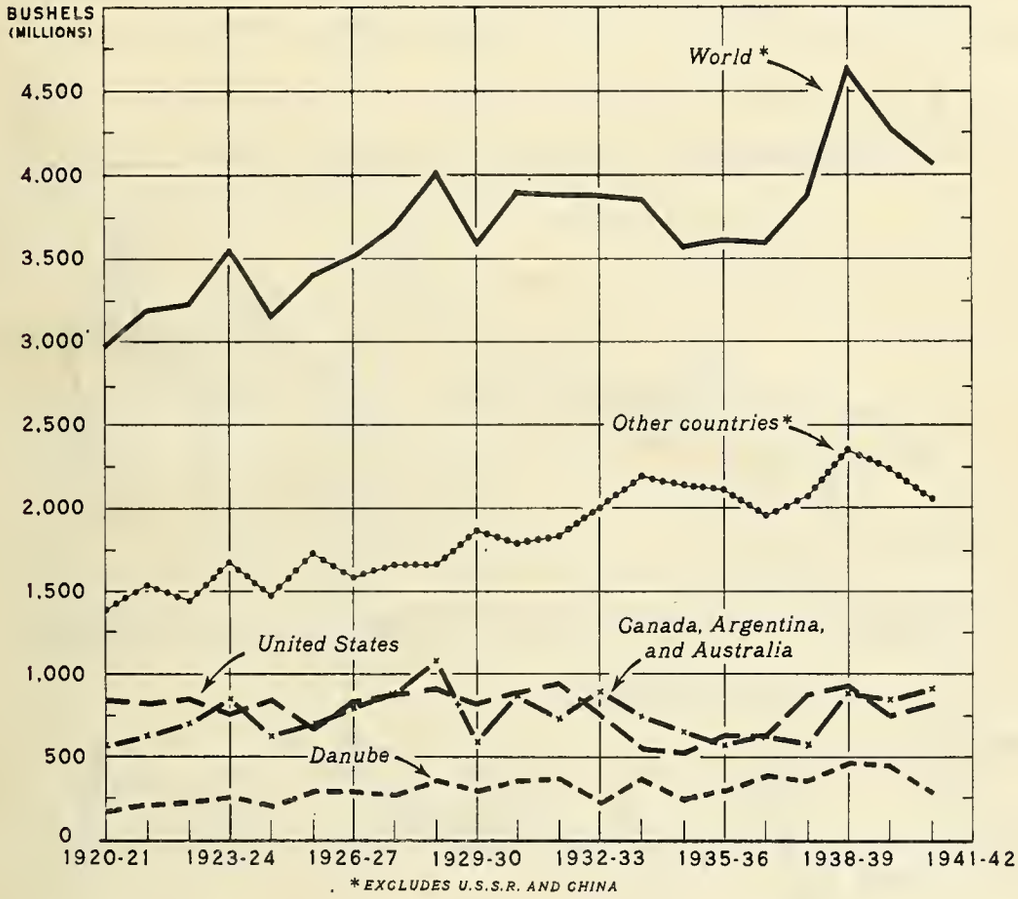
SPECIAL IN THIS ISSUE:

THE MAY 31 REFERENDUM ON A WHEAT MARKETING QUOTA

WHEAT PRODUCTION, WORLD AND SPECIFIED AREAS, 1920-40



U. S. DEPARTMENT OF AGRICULTURE NEG. 39173 BUREAU OF AGRICULTURAL ECONOMICS

THE INCREASE IN THE WORLD WHEAT PRODUCTION SINCE THE FIRST WORLD WAR, CULMINATING IN THE LARGEST PRODUCTION ON RECORD IN 1938, REFLECTS A MARKED INCREASE IN EUROPE. THERE HAS BEEN A SHARP INCREASE IN BOTH THE IMPORTING COUNTRIES OF EUROPE (PRINCIPAL ITEM IN "OTHER COUNTRIES" IN THIS CHART), AND IN THE SURPLUS-PRODUCING COUNTRIES OF THE LOWER DANUBE. WITH INCREASED PRODUCTION IN EUROPE, INTERNATIONAL TRADE HAS DECREASED. ON THE OTHER HAND, PRODUCTION IN THE IMPORTANT SURPLUS-PRODUCING COUNTRIES OF CANADA, ARGENTINA, AND AUSTRALIA HAS ALSO INCREASED. AS A RESULT OF THESE DEVELOPMENTS HUGE SURPLUSES HAVE ACCUMULATED. PRESENT PROSPECTS ARE FOR A WORLD WHEAT CROP IN 1941 NOT GREATLY DIFFERENT FROM THAT OF LAST YEAR.

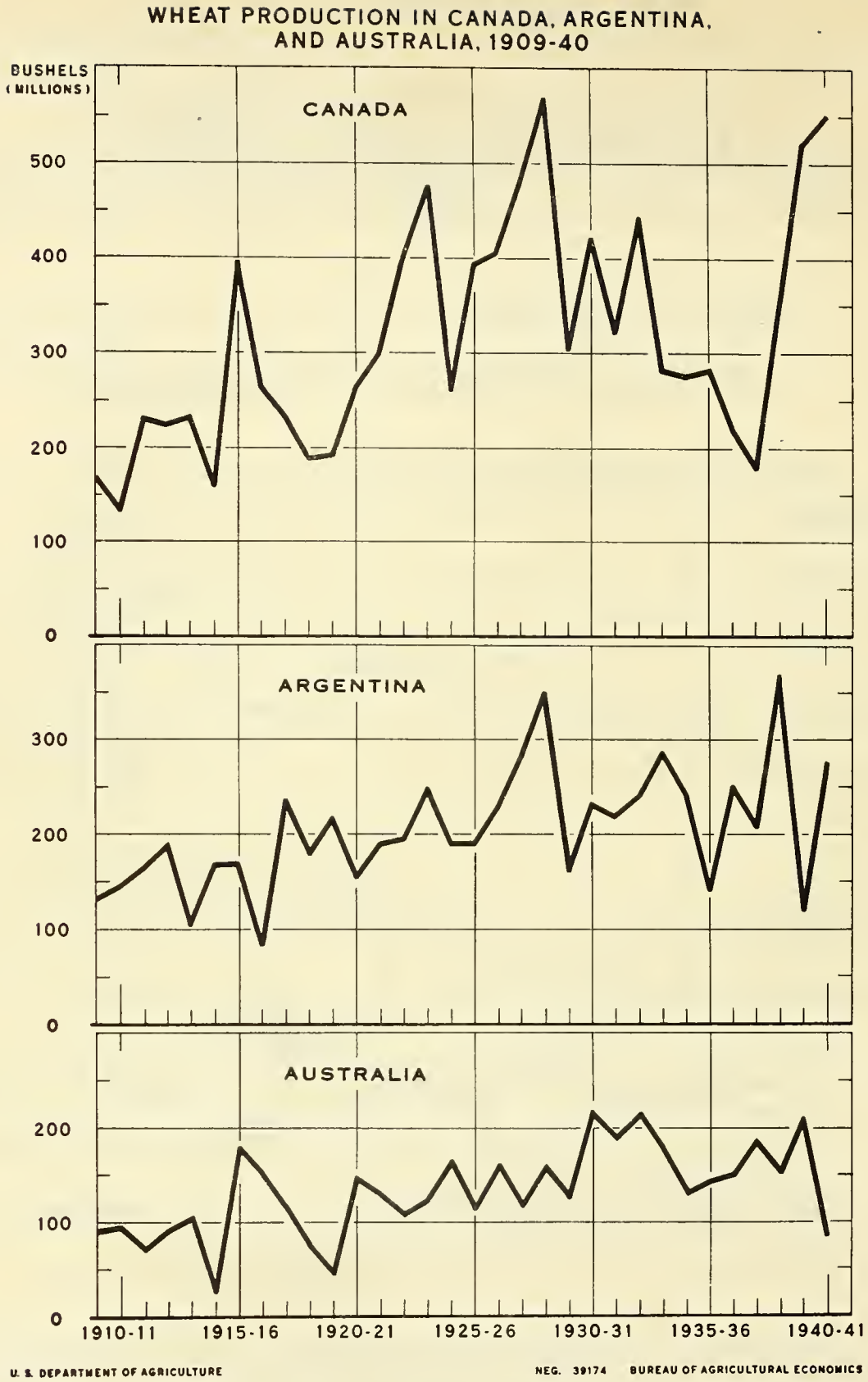


FIGURE 1.- WHEAT PRODUCTION IN THE THREE MAJOR EXPORTING COUNTRIES OTHER THAN THE UNITED STATES HAS INCREASED IN THE LAST 30 YEARS. THE INCREASE IN CANADA HAS BEEN VERY LARGE, WHILE THAT IN ARGENTINA AND AUSTRALIA HAS BEEN SUBSTANTIAL.

THE WHEAT SITUATION

Summary

Price rises since early March, influenced largely by consideration and final passage by Congress of an 85 percent-of-parity Government loan rate, culminated on May 19 in the highest domestic wheat prices in more than a year.

During most of the marketing year for the 1940 crop, the Government loan program (on the basis of 57 percent of parity) held wheat prices at an average of about 25 cents a bushel above the competitive level which normally would have prevailed under the demand and supply conditions of this period. Recently the difference between the actual price and that which would have prevailed without any loan program has been between 35 and 40 cents per bushel. Continuance of the Government loan program, however, is dependent on an affirmative vote in the national referendum on a wheat marketing quota on May 31. (See article on page 12.)

If the winter wheat crop turns out to be about 653 million bushels, as indicated by May 1 condition and somewhat better than average yields are obtained on the prospective spring wheat acreage, the new crop will total about 850 million bushels. With the carry-over, now estimated at about 395 million bushels, total supplies then would approximate 1,250 million bushels. The total in 1940-41 was 1,099 million bushels, consisting of a carry-over of 282 million bushels and a crop of 817 million bushels.

On the basis of supplies of 1,250 million bushels, and prospects that domestic disappearance will be about 650 million bushels, the quantity available in the 1941-42 marketing year for export, shipments, and carry-over

would be about 600 million bushels. Exports and shipments in the current marketing year are expected to be about 30-35 million bushels.

A nation-wide survey covering all commercial storage facilities and grain stocks indicates that facilities in general are ample for the carry-over and prospective new crop of small grains if farm storage space is well utilized, but that there may be difficulties in storage and transportation in some areas. In order to guard against congestion and its possible price-depressing effects, every effort is being made by the Department of Agriculture to coordinate activities relating to utilization of storage space and to plan the flow of grain during the coming harvest.

Notwithstanding a marked curtailment of wheat acreage in Canada, there will be a great abundance of wheat in 1941-42 for countries still able to import wheat. Reports on Canadian acreage intentions indicate a 25-percent reduction in seedings, and it is not likely that the high per-acre yields in Argentina last year will be repeated again this year. On the other hand, the crop in Europe may be somewhat larger because yields per acre were very low last year. The crop in Australia also might be materially larger for the same reason.

— May 22, 1941

THE DOMESTIC WHEAT SITUATION

BACKGROUND.- In the 10-year period 1930-39 the carry-over of old wheat in the United States averaged about 230 million bushels, and domestic disappearance about 695 million bushels.

Domestic wheat prices from the spring of 1933 to the spring of 1937 were unusually high in relation to world prices as the result of small crops in the United States. In 1937 United States production was large and prices declined. In 1938, with domestic production again large, with a record world crop, and with lower commodity prices generally, prices again declined, and would have averaged still lower had it

not been for the loan and export-subsidy programs which held domestic prices above export parity.

Prices received by growers for wheat during the year beginning July 1939, averaging 69 cents, continued relatively high compared with the usual relationship to prices in other countries, as a result of only a moderately large carry-over, reduced acreage, poor prospects for 1940 yields, and holding of wheat in expectation of higher prices.

Prices advanced sharply in September 1939, following the outbreak of the European war, and again in December, influenced by war developments and by poor crop prospects in Argentina and the United States. In the middle of May 1940, following the turn of events in Europe, selling became heavy and most of the gains were lost. From the middle of May until the middle of August prices declined seasonally, then they advanced until the middle of November. After two downswings, they have again risen, and are now at the highest levels since May 1940.

Wheat supplies in 1941-42 may total about 150 million bushels above year earlier

The winter wheat indication on the basis of May 1 condition was 37 million bushels above the indication a month earlier, and moisture in the spring wheat areas has been favorable. If the winter wheat crop turns out to be about the indicated 653 million bushels, and if somewhat better than average yields are obtained on the prospective spring wheat acreage, the new crop would total about 850 million bushels. With the carry-over, now estimated at about 395 million bushels, total supplies then would approximate 1,250 million bushels. The total in 1940-41 was 1,099 million bushels, consisting of a carry-over of 282 million bushels and a crop of 817 million bushels.

On the basis of supplies of 1,250 million bushels, and prospects that domestic disappearance will be about 650 million bushels, the quantity available for export, shipments, and carry-over would be about 600 million bushels. Exports and shipments in the current marketing year are expected to be about 30-35 million bushels.

Winter wheat production: The production of winter wheat of 653,105,000 bushels indicated on May 1 compares with 616,128,000 bushels indicated a month earlier, 589,151,000 bushels harvested in 1940, and 569,417,000 bushels the 10-year (1930-39) average harvest. The indicated production is more than was harvested in 25 of the last 30 years.

The acreage remaining for harvest is estimated to be 40,313,000 acres, which is 12 percent more than the 36,147,000 acres harvested last year, but is only 3 percent above the 10-year average harvested acreage. The abandonment placed at 12.9 percent of last fall's seeded acreage is strikingly lower than the heavy acreage abandonment of recent years, particularly in those States where drought damage prevailed in a few recent years. The abundance of rain during April in the Great Plains States resulted in lower prospective

abandonment in most of that area. The exceptions are in Iowa and Minnesota, where the full extent of the fall freeze damage has become apparent, and in New Mexico.

The indicated yield per harvested acre of 16.2 bushels is practically the same as the 16.3 bushel yield last year, but is well above the average of 14.4 bushels. Prospective yields are generally higher this year than last and higher than average in the area west of the 100th meridian, where rainfall has been relatively heavy since last fall.

Spring wheat production: The delay in spring wheat seeding experienced in the early part of the season because of heavy rains and wet fields was largely overcome by the end of the month. With moisture condition encouraging to spring wheat prospects and seeding operations facilitated by the use of mechanical power, March planting intentions probably will be met in full. The early intentions may even be exceeded in the States where the abandonment of winter wheat has been heavy and some of this acreage was reseeded to spring wheat.

The Crop Reporting Board will indicate a probable range in spring wheat production in its report on June 10 but will not issue its first estimate until July 10. Correlation studies by the Bureau, however, indicate that April-May precipitation is an important factor in determining spring wheat yields. Precipitation since May 1 has been above average in southern Minnesota, eastern South Dakota and Montana, about average in North Dakota and western South Dakota and somewhat below average only in northern Minnesota. If yields this year should be average (10.4 bushels per seeded acre) and the acreage be about as indicated by the prospective plantings reports (17.1 million acres), production would total about 180 million bushels. With prospects at present better than average, the round figure of 200 million bushels has been assumed in the general summary of the wheat supply situation given earlier in this report.

April 1 wheat stocks record; July 1 carry-over indicated at 395 million bushels

Total wheat stocks on April 1, 1941 were estimated at 546 million bushels (table 1), the largest April 1 stocks in the history of the country. The current figure is not strictly comparable with that for April 1, 1940 in that 2 points are reported in commercial stocks for the first time this year. After allowing for this addition, the April 1, 1941 stocks are about 100 million bushels larger than those 2 years earlier.

On the basis of April 1 stocks and probable disappearance in the April-June quarter, a July 1 carry-over of about 395 million bushels is indicated. This is 5 million bushels larger than the indication published a month ago, and includes adjustment for utilization and for stocks at the 2 points reported for the first time in July 1 stocks.

Table 1.- Wheat stocks in the United States, April 1, 1936-41 1/

Position	1936	1937	1938	1939	1940	1941
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
On farms	98,978	71,463	124,652	188,408	153,776	195,755
Interior mills and elevators	49,344	38,191	71,804	90,046	80,997	131,247
Commercial	49,919	34,741	54,426	82,687	105,401	2/141,897
Merchant mill and stored for others 3/	72,046	65,983	79,851	82,481	94,985	76,675
Total	270,287	210,378	330,733	443,622	435,159	545,574

1/ Series starts April 1, 1932; figures for 1932-35 in The Wheat Situation, May 25, 1939, page 10. 2/ Includes commercial stocks at 2 points not previously reported. 3/ Bureau of Census figures raised to represent all merchant mill and elevator stocks.

Domestic wheat prices at about best levels in a year

Domestic wheat prices on May 19 reached the best levels in about a year. The price rise of about 20 cents since early March was influenced largely by consideration and final passage by Congress of the 85 percent of parity Government loan rate. On May 19 the July futures at Chicago reached 100-7/8 cents, compared with 78-1/2 cents on March 6 before the new loan legislation became a factor, and 86-7/8 cents a month ago (April 23). Prices reached the highest level since May 13, 1940, when the July future closed at 105-5/8 cents, 3 cents off from the previous close, which was the start of the 30-cent decline which took place in 5 days and was associated with the invasion of the Low Countries. Current prices are only fractionally below the high of May 19.

The amount that current prices are now above export price levels is indicated by the export indemnity which would be required to export wheat to Europe. Computed on the basis of export values, this would be about 37 cents from the Gulf and 34 cents from Pacific ports, compared with 25 and 22 cents a month ago. Prices of domestic spring wheat at Buffalo are about 8 cents lower than those of Canadian wheat of a comparable quality, c.i.f., duty paid, at Buffalo, compared with 17 cents a month ago.

A large quantity of wheat stored in warehouses was delivered to the Commodity Credit Corporation before the expiration on April 30 of loans covering such wheat. While no report is as yet available on the actual quantity so delivered, it is to be assumed that most of the 191 million bushels reported stored in warehouses on April 15 was delivered. This removed the threat that large quantities of this wheat would be redeemed and put on the market, and thereby helped support prices. About 50 million bushels of wheat were still held under loan on farms, and storage of this wheat may continue for 10 months from the date of execution of the loans.

Table 2.- Weighted average cash price of wheat, specified markets and dates, 1940-41

Month and date	All classes and grades six markets		No. 2 Hard Winter Kansas City		No. 1 Dk.N.Spring Minneapolis		No. 2 Hard Amber Durum Minneapolis		No. 2 Red Winter St. Louis		Soft White Portland 1/	
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month-												
Feb.	101.0	81.4	99.4	77.8	104.3	85.0	99.7	93.5	105.6	85.8	85.3	73.0
Mar.	101.3	89.0	102.1	85.1	104.0	90.0	96.7	98.1	106.3	89.5	83.3	75.8
Apr.	105.6	90.3	105.7	87.2	108.2	94.8	99.1	94.8	111.2	92.6	84.3	75.7
Week ended-												
Apr.5	102.6	91.0	103.2	88.5	105.2	95.4	97.1	95.0	107.6	95.4	83.5	76.3
12	104.1	90.8	104.3	87.6	106.9	94.8	96.9	97.2	109.6	92.5	82.9	76.0
19	107.2	91.1	108.3	87.9	109.7	95.5	99.9	95.6	111.9	93.1	85.1	75.6
26	107.5	89.0	108.2	86.2	110.3	92.9	100.9	93.4	112.7	92.0	85.3	75.3
May 3	105.4	88.9	105.3	87.0	109.3	94.8	96.8	91.0	110.0	92.6	85.1	75.8
10	104.5	92.1	104.6	90.6	108.5	98.1	97.1	94.0	111.2	96.7	85.2	77.6
17	94.4	94.6	88.6	92.4	99.3	99.3	85.7	95.8	102.4	98.3	77.4	80.6
High 2/	107.5	94.6	108.3	92.4	110.3	99.3	100.9	97.2	112.7	98.3	85.3	80.6
Low 2/	94.4	88.9	88.6	86.2	99.3	92.9	85.7	91.0	102.4	92.0	77.4	75.3

1/ Weekly average of daily cash quotations, basis No. 1 sacked.
2/ April 5 to May 17, 1941 and corresponding dates 1940.

THE WORLD WHEAT SITUATION

BACKGROUND.- Total world supplies of wheat 1/ increased sharply from 1924 to 1933, largely as a result of increased acreage. From 1934 to 1936, world supplies declined, following successive years of small yields and increased world demand. Supplies increased slightly in 1937. With above-average yields on the large acreage, supplies in 1938, 1939, and 1940 were the largest on record.

World wheat prices declined in the period 1924-33 with the increase in world supplies. The sharp decline in prices after 1929 was caused largely by the general decline in industrial activity and commodity prices. From the spring of 1933 to the summer of 1937, world wheat prices moved upward, reflecting world-wide recovery in commodity price levels, currency depreciation, and reduced production. The world price for the 1937 crop remained practically unchanged from that of a year earlier. In 1938, world prices again declined sharply as a result of record world production and weakness in demand. Prices in 1939-40 remained low but averaged higher than a

1/ All references to world acreage, yield, production, and stocks in this report exclude the U. S. S. R. and China.

year earlier, influenced by general expectations of increased demand for wheat as a result of the war, and by poor crop prospects in Argentina and the United States. In 1940-41 large supplies in surplus countries and reduced trade held world wheat prices to low levels.

World wheat crop prospects continue about the same as in 1940

Prospects continue for a world wheat crop in 1941 not greatly different from that of last year. Accordingly, notwithstanding a marked curtailing of wheat acreage in Canada, there will be a great abundance of wheat in 1941-42 for countries still able to import wheat. Canadian acreage intentions indicate a 25-percent reduction in seedings, and it is not likely that the high per-acre yields in Argentina last year will be repeated again this year. On the other hand, the crop in Europe may be somewhat larger because yields per acre were very low last year. The crop in Australia also might be materially larger for the same reason.

Estimates of seedings for the 1941 wheat crop in 17 Northern Hemisphere countries, which total 2.5 percent below the comparable figure for 1940, are shown in table 3. Because of the indicated reduction in Canada, it appears that the North American wheat acreage will be about 7 percent smaller this year, despite the increase in seedings of winter wheat in the United States. The combined acreage of the two countries will approximate 76.5 as compared with 82.2 million acres last year.

The decrease in Canada's spring wheat area, from 28.0 million acres in 1940 to 21.1 million acres in 1941, as indicated by farmers' intentions reported as of April 30, amounts to 6.9 million acres or 24.6 percent. 2/ The total acreage, including the small acreage seeded to winter wheat, would amount to 21.7 million acres in 1941 compared with 28.7 million acres in 1940, a reduction of 7 million acres or 24.6 percent. This large reduction in the wheat area this year is in response to the Dominion Government's request for a smaller wheat area, together with the program offered for a diversion of land use into coarse grains, grasses, and summer fallow. 3/ The reduction of 6.9 million acres in spring wheat is compensated for by an increase of 6.7 million acres of fallow and other small grains, including increases of 3.9 million acres summer fallow, 1.5 million acres oats, 1.1 million acres barley, and 0.2 million acres of flaxseed.

Surface and subsoil moisture conditions throughout the Prairie Provinces are generally good, but spring precipitation in western Saskatchewan and most of Alberta has been below normal. Precipitation April 1 to May 13 in Manitoba averaged 3.58 inches compared with 1.44 last year, and 1.65 normal; in Saskatchewan 1.94 inches compared with 1.24 last year, and 1.32 normal; and in Alberta .94 inches compared with 2.98 last year, and 1.72 normal. Wet conditions this spring have delayed seeding, as in the case of our domestic wheat area.

2/ Reduction effected in the United States for the 1939 crop amounted to 20 percent.

3/ Statement of program in The Wheat Situation, March 1941, pages 12-13.

Very few complete, or official, estimates have been received for European countries, but winter seedings have been reported for several important areas, which, with unofficial data from various observers, indicate an increase in acreage of about 3 percent in 12 countries reporting either winter or total seedings for 1941. In 1939, which may be considered a more normal year than 1940, these same countries accounted for about 58.5 percent of the total wheat acreage harvested in Europe, but under present conditions seeding data may not have the same significance as in earlier years.

In Europe the season is reported very late, with crops suffering from insufficient sunshine and cool weather. Winter wheat condition, however, is still mostly satisfactory, but spring wheat is backward. In the Danubian countries the wheat crop is irregular, with present prospects in Hungary and parts of Yugoslavia less favorable than in Bulgaria and Rumania. In the British Isles there was a fair increase in grain acreage, but the current condition is reported somewhat below average.

The only estimate of acreage from North Africa was for Egypt, which showed practically no change this year from last. In Asia, the third acreage estimate for India was about 2 percent higher than the revised figure for 1940. The official preliminary wheat estimate for India is 382 million bushels compared with 392 million bushels the revised similar estimate last year and 403 million bushels the final estimate for last year. In Japan, seedings were reported nearly 4 percent below those of 1940, and crop prospects have been somewhat adversely affected by labor and fertilizer shortages.

In Argentina soil conditions are excellent for seeding, which has now started. Little change in acreage is expected by some observers. In Australia rains are needed over wide areas and seeding is going forward in dry soil.

Table 3.- Wheat acreage in specified countries, 1939-41

Country and item	1939	1940	1941	Percentage 1941 is of 1940
	1,000 acres	1,000 acres	1,000 acres	Percent
United States:				
Winter	38,078	36,147	40,313	111.5
Spring	15,404	17,356	14,508	83.6
Total 2/	53,482	53,503	54,821	102.5
Canada:				
Winter	735	775	581	75.0
Spring	26,021	27,951	21,074	75.4
Total 2/	26,756	28,726	21,655	75.4
Europe (12 countries) 3/	44,007	42,453	43,653	102.8
Egypt	1,501	1,563	1,564	100.0
India 4/	33,167	33,465	34,108	101.9
Japan	1,827	2,062	1,983	96.2
Total (17 countries)	160,740	161,772	157,784	97.5

Official estimates for countries shown separately; European total includes official estimates and unofficial estimates based on best information available.

1/ Intended area less the average abandonment during 1930-39, excluding the abnormal years of 1934 and 1936. 2/ Acreage harvested or for harvest. 3/ Mostly winter seedings. 4/ April estimates.

World carry-over July 1941 expected to be about same as record last July

While there is little basis upon which to forecast the 1940-41 world disappearance or the carry-over next July, as indicated in previous issues, it would appear that the crop of 1940, placed at 4,052 million bushels, would about equal the disappearance. This would indicate a carry-over next July of about the same size as in July 1940, when an all-time record was reached. Surplus stocks are largely concentrated in Canada, the United States, and Argentina, (table 4).

Table 4.- Estimated wheat surplus for export or carry-over in four important exporting countries, May 1, 1938-41 1/

Position	1938	1939	1940	1941
	Million bushels	Million bushels	Million bushels	Million bushels
United States	174	272	289	400
Canada	43	142	342	565
Australia	74	65	140	73
Argentina	73	264	98	160
Total	364	743	869	1,198

1/ Carry-over at the beginning of the year (United States, July 1; Canada, August 1; Argentina, January 1; Australia, December 1 of the previous year) plus production minus domestic utilization for the year, minus monthly exports to date, last month for United States, Australia, and Argentina estimated.
2/ Based on official exports through February 1940, and unofficial estimates for succeeding months.

Prices in Winnipeg and Buenos Aires continue steady

Prices in both Winnipeg and Buenos Aires, where minimum prices are in effect, have continued to fluctuate very little, and average only slightly different from those a month ago. Prices of near futures in these two markets, together with prices in Chicago, Kansas City, and Minneapolis are shown in table 5.

Table 5.- Average closing price of July wheat futures, specified markets and dates, 1940-41

Period	Winnipeg 1/		Buenos Aires		Chicago		Kansas City		Minneapolis	
	1940	1941	1940 2/	1941	1940	1941	1940	1941	1940	1941
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month										
Feb.	80.0	71.9	---	---	98.7	76.2	93.9	69.9	98.3	79.2
Mar.	82.0	72.1	---	---	101.6	83.7	96.7	76.5	99.7	85.3
Apr.	83.1	70.8	---	---	106.9	89.5	102.1	81.9	103.4	89.9
Week ended:										
Apr. 5..	82.1	71.4	68.2	55.4	104.0	90.5	99.2	83.1	100.8	91.2
12..	82.9	71.1	70.8	55.3	106.1	89.3	101.1	81.9	102.7	90.2
19..	83.8	70.5	71.7	55.4	109.3	90.0	104.8	82.4	105.5	90.5
26..	83.6	70.5	77.2	55.5	108.2	88.0	103.3	80.2	104.5	87.9
May 3..	82.5	70.5	79.6	3/55.8	105.7	90.3	101.0	82.6	103.3	89.9
10..	82.4	70.5	76.4	3/55.8	105.8	95.4	101.1	87.6	103.7	93.8
17..	69.0	70.5	66.4	3/55.8	90.1	97.2	85.7	89.6	88.8	95.1
High 4/...	83.8	71.4	79.6	5/55.8	109.3	97.2	104.8	89.6	105.5	95.1
Low 4/ ...	69.0	70.5	66.4	5/55.3	90.1	88.0	85.7	80.2	88.8	87.9

1/ Conversions at official rate, which is 90.909 cents. Any United States buyer of Canadian grain would be required to make settlement in terms of United States dollars through an agent of the Canadian Foreign Exchange Control Board at the official rate. 2/ June futures. 3/ August futures. 4/ Apr. 5 to May 17, 1941, and corresponding dates, 1940. 5/ July and August futures.

THE MAY 31 REFERENDUM ON A WHEAT MARKETING QUOTA

A national referendum in which wheat producers will vote their approval or disapproval of a marketing quota for wheat will be held on May 31 according to a proclamation by the Secretary of Agriculture on May 10 4/. The quota will be effective on the 1941 crop if approved by two-thirds of the farmers voting. Should the quota be disapproved, no Government loans, under law, can be made to support prices of the 1941 wheat crop. The effect on wheat prices and income of a rejection of the quota, with the consequent withdrawal of the basic price-support given by the Government loan program, is analyzed below:

If the quota is approved, farmers who planted within their wheat acreage allotments can market their entire production plus any carry-over wheat from the old crop. In addition, wheat loans will be available to all

4/ The proclamation was made under provisions of the Agricultural Adjustment Act of 1938, which calls for a quota when the estimated wheat supply exceeds a normal year's domestic consumption and exports by more than 35 percent. The 1941-42 wheat supply was placed at 1,236 million bushels and exceeds the marketing quota level by 217 million bushels.

producers, -- to cooperators in the allotment program at full loan rates, and to non-cooperators at 60 percent of the loan rates on their excess wheat. Marketing or feeding of wheat from acreages in excess of the allotments, however, would be subject to a penalty.

Should the quota be disapproved in the referendum -- that is, should more than a third of the producers voting oppose the quota -- all farmers could market their entire production without penalty, but no Government loans would be available on the 1941 wheat crop.

From the standpoint of wheat prices and farm income from wheat, what is really at stake in the referendum, then, is the continuance or discontinuance of Government wheat loans. How would prices and incomes of wheat farmers be affected by the withdrawal of the price-support given by these loans?

An analysis of the effect of the Government loan program during the current marketing year, when the loan was established at 57 percent of parity, reveals that during most of the year wheat prices were held at an average of about 25 cents per bushel above the level which normally would have prevailed under competitive supply and demand conditions. Under the current loan program a substantial part of the domestic supply of wheat has been stored in the Ever-Normal Granary, and thus withheld from regular market channels where it would have brought domestic wheat prices closer to the level of world wheat prices.

It is true that consumer incomes and other conditions affecting the domestic demand for farm products have improved as a result of the increased industrial activity brought about by the Defense Program. It is also true that if there had been no Government wheat loans, speculative activity influenced by the war and possible future increases in the general price-level might have caused wheat prices to be supported at somewhat higher levels than would have been expected under normal business conditions.

On the other hand, the export market for wheat has practically disappeared, and there is little prospect of its being revived as long as the war in Europe continues. Canada has enough wheat for both herself and Great Britain for a long time to come, and large surpluses exist in other countries whose markets have been cut off by the war.

Largely as the result of anticipation of higher Government loan rates on the 1941 crop, wheat prices recently have been 35 to 40 cents higher than those which would have prevailed had there been no Government loans. Thus, both the higher prices throughout the current marketing year and the recent advance have been based on the assumption that the Government loan program will continue. Disapproval of the marketing quota, with the consequent discontinuance of Government wheat loans, would remove this basic support of United States wheat prices.

Under the law, Government wheat loans cannot be made if the estimated wheat supply warrants the proclamation of a marketing quota and the quota is subsequently voted down by producers. Hence, if more than a third of the producers voting decide to vote against the quota recently proclaimed by the

Secretary of Agriculture after a determination of the estimated supply, loans as well as the quota will not go into operation; and the wheat prices now prevailing will be replaced by prices more nearly in line with those in other surplus-producing countries. Prices to all producers -- both those who customarily place part of their wheat under loan and those who do not -- would be sharply reduced by such a development.

THE NATION'S GRAIN STORAGE SITUATION

The problem of adequate storage and transportation facilities

The nation-wide survey covering commercial storage facilities and grain stocks as of March 1, together with more recent data from different areas, indicates that if average or above-average production of grain occurs, difficulties in storage and transporting these crops may result in some areas. Special attention to this problem has been given by the Secretary in designating personnel to coordinate activities relating to utilization of grain storage and to plan the flow of grain during the coming harvest so as to avoid congestion.

As a fundamental aid to meeting the situation farmers have been advised through county committees to check on availability of storage space well in advance of harvest. Two provisions to assist farmers in constructing grain storage have been included in the National Farm Program this year. First, the farmer cooperating with the Agricultural Conservation Program may assign compliance payments for storage construction material or labor, and second, the wheat farmer who constructs or substantially repairs farm storage may receive, upon request, the 7-cent storage allowance at the time his loan is approved. Normally, the allowance is paid when the wheat is delivered at the maturity of the loan.

This check-up on farm storage is desirable in view of the report recently made to the Secretary of Agriculture by the Office of Emergency Management that cars will not be available for grain movement unless storage space is available at the destination point, making immediate unloading possible and allowing maximum use of cars in carrying defense items.

By timely planning it appears that the problem of crowding of storage facilities can be minimized, and price-depressing effects therefrom avoided.

Grain storage survey indicates probable difficulties in some areas

The tabulation of the nation-wide survey covering all commercial storage facilities and grain stocks 5/ is now about 97 percent complete. Returns

5/ Survey covered all establishments storing wheat, corn, oats, barley, rye, rice, flaxseed, soybeans, and grain sorghums, and included elevators, warehouses, flour and feed mills, corn, soybean, dry bean and flaxseed products mills, malting plants, breweries, distilleries, bean-cleaning plants, and rice mills. Facilities included idle commercial plants that could readily be placed in operation. All farm storage and the steel-bin storage owned by the Commodity Credit Corporation were excluded. Survey was made by the Agricultural Marketing Service through its field forces and those of the Agricultural Adjustment Administration.

show the Nation's total rated storage capacity as of March 1 for grains, beans, and flaxseed to be 1,506 million bushels. It is estimated that when all returns are in, this capacity will be increased by about 3 percent. Bulk storage capacity reported was 1,174 million bushels; sacked storage 318 million bushels; and crib storage 14 million bushels. New construction either under way or planned as of March 1 would increase the present storage capacity by 71 million bushels. Stocks of all grains, beans, and flaxseed in these storages, as of March 1, totaled 745 million bushels.

The 745 million bushels of total stocks on March 1 were composed of the following in million bushels: Wheat 412; shelled corn 148; ear corn 5; oats 31; barley 36; rye 12; rice 20; flaxseed 10; soybeans 13; dry beans 12; grain sorghum 7; and 39 of other commodities not specifically named. Corn stored in steel bins by the Commodity Credit Corporation on March 1, amounting to 115 million bushels, was not included in the survey.

When the March 1 stocks of 745 million bushels are substracted from the total reported capacity of 1,506 million bushels, there is a remainder of 761 million bushels of unoccupied space. Not all of this is available storage space, however, because allowance must be made for working space and for partially filled bins to which, for various reasons, no more grain can be added. The unoccupied space reported on March 1 takes this into account as only 516 million bushels are reported available on that date, or 68 percent of the 761 million bushels remaining unoccupied. This is a minimum figure for the reason that some operators apparently reported only space available for rent and a few failed to make any report. Operators estimated that by June 1 the net out-movement of grain would be sufficient to increase this available space to 592 million bushels. This is even more of a minimum figure than that of March 1.

The 592 million-bushel space available on June 1 compares with October 1, 1940 stocks reported as "Commercial" by the Agricultural Marketing Service as follows, in million bushels: Wheat 187, corn 41, oats 9, rye 9, barley 11, and flaxseed 9, making a total of 266. In addition, on October 1, 1940 there were 189 million bushels of wheat in interior mills and elevators, and 133 million bushels in merchant mills and elevators, which when added to 266 makes 588 million bushels, approximately equal to the 592 million bushel space reported available on June 1, 1941. Moreover, on October 1, 1940 stocks of grain other than wheat are not reported for country mills and elevators, corn, soybean and flax mills, malting plants, breweries, distilleries, bean-cleaning plants, and rice mills, which are considered in the 592 million bushels reported available June 1.

The comparison with stocks on October 1940, when stocks were less than they are expected to be this year, brings out the necessity for coordinated planning with regard to the use of storage and transportation facilities, and the encouragement of the use of farm storage facilities.

Table 6.- Wheat production and farm disposition, United States, 1909-40

Year beginning July	Production	Used for seed: Total	Used for seed: Home grown 1/	Fed to livestock 1/	Ground at mills for home use or exchanged for flour	Sold or for sale
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
1909	683,927	69,869	65,456	21,037	10,074	587,360
1910	625,476	73,129	68,336	22,778	10,457	523,905
1911	618,166	75,170	70,393	35,267	12,103	500,403
1912	730,011	72,696	68,659	23,687	10,221	627,444
1913	751,101	75,796	72,001	36,244	11,935	630,921
1914	897,487	80,972	77,483	27,633	10,757	781,614
1915	1,008,637	79,559	77,267	28,755	11,318	891,297
1916	634,572	79,042	74,902	38,220	12,182	509,268
1917	619,790	86,719	72,749	31,152	11,918	503,971
1918	904,130	97,372	89,084	36,869	13,022	765,155
1919	952,097	89,914	85,645	36,863	11,614	817,975
1920	843,277	88,500	85,015	20,649	11,325	726,288
1921	818,964	88,215	84,859	32,984	10,996	690,125
1922	846,649	85,528	82,138	43,969	11,116	704,426
1923	759,482	74,111	72,254	69,670	10,906	606,652
1924	841,617	79,895	75,312	55,727	10,268	700,310
1925	668,700	78,828	73,513	28,214	10,691	556,282
1926	832,213	83,264	78,858	34,261	10,791	708,303
1927	875,059	89,864	84,197	44,507	9,420	736,935
1928	914,373	83,663	79,675	56,566	7,682	770,450
1929	823,217	83,353	80,737	58,769	6,686	677,025
1930	886,470	80,886	77,878	157,188	10,131	641,273
1931	941,674	80,049	73,411	173,991	15,090	679,182
1932	756,927	83,513	79,565	124,912	16,073	536,377
1933	551,683	77,832	68,132	72,261	16,284	395,006
1934	526,393	82,585	66,408	83,700	15,457	360,828
1935	626,344	87,555	75,320	83,168	15,870	451,986
1936	626,766	96,593	71,970	88,272	13,414	453,110
1937	875,676	94,146	81,982	112,860	13,183	667,651
1938	931,702	75,454	66,818	125,591	15,717	723,576
1939	751,435	72,853	60,032	91,487	11,897	588,019
1940 2/	816,698	74,713	61,063	100,408	11,854	643,373

1/ Relates to quantities used by producers on their own farms. Additional quantities of purchased wheat are so utilized.
2/ Preliminary.

Table 7.- Wheat production, world and specified areas, 1909-40

(Data used in charts contained in this issue)

Year	United States	Canada	Argentina	Australia	Danube	Other 1/	World 1/
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels
1909-10	684	167	131	90			2,860
1910-11	625	132	146	95			2,815
1911-12	618	231	166	72			3,087
1912-13	730	224	187	92			3,140
1913-14	751	232	105	103			3,129
1914-15	897	161	169	25			2,884
1915-16	1,009	394	169	179			3,520
1916-17	635	263	84	152			2,717
1917-18	620	234	235	115			2,693
1918-19	904	189	180	76			2,935
1919-20	952	193	217	46			2,809
1920-21	843	263	156	146	172	1,392	2,972
1921-22	819	301	191	129	212	1,533	3,185
1922-23	847	400	196	109	224	1,442	3,218
1923-24	759	474	248	125	260	1,669	3,535
1924-25	842	262	191	165	204	1,479	3,143
1925-26	669	395	191	115	296	1,730	3,396
1926-27	832	407	230	161	294	1,580	3,504
1927-28	875	480	282	118	272	1,656	3,683
1928-29	914	567	349	160	357	1,658	4,005
1929-30	823	304	163	127	303	1,862	3,582
1930-31	886	421	232	214	353	1,788	3,894
1931-32	942	321	220	191	370	1,833	3,877
1932-33	757	443	241	214	222	1,999	3,876
1933-34	552	282	286	177	367	2,184	3,848
1934-35	526	276	241	133	249	2,136	3,561
1935-36	626	282	142	144	302	2,106	3,602
1936-37	627	219	250	151	384	1,954	3,585
1937-38	876	180	208	187	361	2,067	3,879
1938-39	932	360	379	155	466	2,334	4,626
1939-40 2/	751	521	119	210	454	2,231	4,286
1940-41 2/	817	551	276	84	292	2,046	4,066

1/ Excluding U.S.S.R. and China.
2/ Preliminary.

Table 8.- Movement of wheat, including flour, from principal exporting countries, 1937-38 to 1940-41

Country	Exports as given by official sources						Date
	Total			July 1 to date shown			
	1937-38	1938-39	1939-40	1938-39	1939-40	1940-41	
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	
United States 1/	107,194	115,784	54,274	84,980	46,362	28,531	Mar. 31
Canada	94,546	159,885	210,212	127,467	167,632	142,906	Apr. 30
Argentina	69,670	116,116	177,561	58,651	126,605	68,382	Mar. 31
Australia	123,453	96,672	---	58,726	41,107	---	Feb. 28
Soviet Union	43,354	2/38,000	---	---	---	---	---
Hungary	9,368	27,650	---	18,442	30,219	---	Feb. 28
Yugoslavia	5,012	5,346	9,666	4,079	6,660	---	Dec. 31
Rumania	32,220	40,298	34,138	28,805	24,672	---	Feb. 28
Bulgaria	8,489	2,633	---	179	4,749		Jan. 31
British India	19,677	10,097	---	---	---	---	---
Total	512,983	612,481					

	Shipments as given by trade sources 3/						
	Total		Week ended - 1941			July 1	May 17
	1938-39	1939-40	May 3	May 10	May 17	1939-40	1940-41
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
North America	245,296	209,872	8,835	8,624		185,080	186,751
Argentina	114,272	173,776	2,043	3,725		151,508	85,346
Australia	102,116	---				4/	
Soviet Union	39,824						
Danube and Bulgaria 5/	52,848	39,616					
British India	6/10,097	6/					
Total above	564,453					7/336,588	7/272,097
Total European shipments	450,784						
Total ex-European shipments	146,760						

1/ Includes flour milled in bond from foreign wheat.
2/ From official sources, through December, supplemented by unofficial estimates.
3/ From Broomhall's Corn Trade News and Chicago Daily Trade Bulletin.
4/ Through September 2 only; not available by weeks subsequently.
5/ Black Sea shipments only.
6/ Official 1938-39, not available subsequently.
7/ North America and Argentina only.

THE RYE SITUATION

Acreage of fall-sown rye in 13 countries increased slightly

Seedings of rye for harvest in 1941, as indicated for 13 Northern Hemisphere countries, have been increased by almost 4 percent. A decline of 11.5 percent will take place this season in Canada if farmers carry out their intentions. Available information for 11 European countries points to an increase of about 4 percent this year over last, but a decline from 1939, when the same countries harvested about 44 percent of the total European rye acreage.

Table 9.- Rye acreage in specified countries

Country	1939	1940	1941	Percentage 1941 is of 1940
	1,000 acres	1,000 acres	1,000 acres	Percent
United States	3,832	3,192	3,527	110.5
Canada	1,102	1,035	916	88.5
Europe (11 countries) 1/	17,477	16,600	17,200	103.6
Total (13 countries)	22,411	20,827	21,643	103.9

1/ Mostly winter seedings. Includes unofficial estimates.

United States rye production indication up 12 percent

The rye crop reported for the United States as of May 1 was generally very favorable. Production was indicated at 45,623,000 bushels -- 12 percent above the 1940 production of 40,601,000 bushels and 19 percent above the 10-year (1930-39) average of 38,472,000 bushels.

The acreage of rye sown in the fall of 1940 was estimated at 6,002,000 acres, which was larger than that of a year earlier but slightly less than the average. May 1 returns indicate that 41 percent of the total sown will be utilized for pasture, hay, turned under as green manure or abandoned, leaving 3,527,000 acres for harvest as grain. Last year, 3,192,000 acres were harvested and the 10-year (1930-39) average is 3,320,000 acres.

The May 1 indicated yield was 12.9 bushels as compared with 12.7 in 1940, and the 10-year average of 112. bushels. May 1 condition this year was above a year ago and above the average in all but a few States. In the important rye producing States of North Dakota, South Dakota, and Nebraska, which sow about 40 to 45 percent of the nation's rye acreage, the condition, the proportion left for harvest as grain and the prospective yield are all relatively high. Much the same situation prevails in the secondary producing States of Minnesota, Wisconsin, and Indiana. States where the prospective yields are below the 10-year average are largely limited to Iowa, Missouri, Illinois, and a few East Coastal States. Even in these States, the departures from the average are only slight.

WHERE TO FIND STATISTICS ON THE WHEAT SITUATION NOT INCLUDED IN THIS ISSUE: 1/

	Page	Issue
THE DOMESTIC WHEAT SITUATION		
Supply and distribution		
All wheat, 1923-40	14	Mar. 1941 WS-53
Classes, July-June, 1929-39	5	Feb. 1941 WS-52
Classes, 1940	8	Mar. 1941 WS-53
Supplies for export and carry-over, 1923-39	6	Aug. 1940 WS-46
Acreage, yield, and production		
Acreage seeded by regions, 1919-40	15	Sept.1940 WS-47
Production by classes, 1919-40	14	Dec. 1940 WS-50
Stocks		
January 1, 1935-41	4	Feb. 1941 WS-52
July 1, 1923-40	14	Mar. 1941 WS-53
Exports and imports		
Exports of wheat including flour to specified countries, 1910-39	27	Aug. 1940 WS-46
Imports into the United States, 1923-39	30	Aug. 1940 WS-46
Sales and income, and prices		
Sales, price per bushel, and cash income, 1910-40	12	Feb. 1941 WS-52
Percentage monthly sales, average 1928-37, and annual 1928-39	15	Nov. 1940 WS-49
Average price received by farmers, 1908-40	13	Jan. 1941 WS-51
THE WORLD WHEAT SITUATION		
Supply and distribution		
1922-40	15	Mar. 1941 WS-53
1938-40	10	Mar. 1941 WS-53
Averages 1924-28, 1928-37, annual 1914, 1937	6	Sept.1939 WS-35
Acreage, yield, and production		
Acreage, yield, and production, 1923-40	20	Mar. 1941 WS-53
Acreage of wheat in specified countries, 1937-40	18	Mar. 1941 WS-53
Production by countries, 1937-40	8	Jan. 1941 WS-51
Stocks, July 1		
1922-40	7	Aug. 1940 WS-46
Major exporting countries, 1922-40	21	Mar. 1941 WS-53
International trade		
International trade in wheat including flour, averages 1925-34, annual 1937-39	16	Feb. 1941 WS-52
World shipments and to Europe and non-Europe, averages 1910-14, 1930-34, and annual 1914-16, 1937-38	7	Sept.1939 WS-35

1/ Selected tables used most frequently.

STATISTICS ON THE RYE SITUATION IN "THE WHEAT SITUATION" DECEMBER 1940